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Luisa Blanco

*Pepperdine University*, [luisa.blancoraynal@pepperdine.edu](mailto:luisa.blancoraynal@pepperdine.edu)

Maria Ponce

*Pepperdine University*

Arturo Gongora

*University of California - Los Angeles*

O. Kenrik Duru

*University of California - Los Angeles*

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# **A Qualitative Analysis of the Use of Financial Services and Saving Behavior among Older African Americans and Latinos in the Los Angeles Area**

Luisa R. Blanco (Pepperdine University and RAND), Maria Ponce (Pepperdine University), Arturo Gongora (UCLA), and O. Kenrik Duru (UCLA)

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## **Abstract**

For this study, we conducted 7 focus groups in the Los Angeles area with a total of 70 participants (42 Latinos and 28 African Americans) recruited from 3 senior centers and a church. Overall, participants were not well prepared for the future in terms of their health care financing. African Americans in the study tended to participate more in the formal financial sector and show a high level of sophistication when managing their finances than Latinos. African Americans also were more likely to save than Latinos, but their level of saving was not very large. We also find that participants in all groups do not want to ask their children for money, and also do not want to save and accumulate wealth to leave to their children because they do not trust or feel appreciated by them.

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## **1. Introduction**

Approximately 12 percent of adults (15 years and older) in the United States do not have an account in a formal financial institution (World Bank, 2013). The lack of access to financial services seems to be related to socioeconomic status, where the proportion of adults with a formal financial account is even lower among those with less income and lower levels of education, 18 percent and 53 percent, respectively (see Table 1). While 50 percent of the adult population saved in a formal financial institution in the past year, only 40 percent of those with an income in the bottom 40 percent, and only 6 percent of those with primary or less education saved in a formal financial institution in the past year. Saving for emergencies and for future expenses is also lower among those with lower income and education levels in the United States.

There is a significant difference in participation in the formal financial sector by race and ethnicity (Blanco and Saloga, 2013). According to Blanco and Saloga (2013), only 8 percent of the adult white population has no checking account, compared to 32 and 39 percent of Latinos and African Americans, respectively (ALP, 2011). Blanco and Saloga (2013) also show, using data from the Health and Retirement (HRS, 2008 wave), that 41 and 30 percent of Latinos and African Americans 65 years and older, respectively, do not have basic financial services. In contrast, only 7 percent of white 65 years and older have no access to financial services.

Participation in the formal financial sector and saving behavior of older minority groups is an important area of study because these groups face significant medical costs. Even those seniors with Medicare coverage need to pay deductibles and out of pocket health care expenses that represent a substantial amount of their income (Komisar et al., 2012). As seniors age and face more health problems, they face economic insecurity due to dependence on social security benefits and health expenses such as dental care and long-term care that are not covered by federal and state programs.

It is estimated that the elderly will need between \$120,000 and \$150,000 in savings at age 65 to cover health expenses (Komisar et al., 2012). Komisar et al. (2012) note that preparedness for future health expenses is related to SES, race, and ethnicity, where minority and low and middle income elders are less prepared.

We conduct a pilot study with a convenient sample with the purpose of determining the use of financial services among older Latinos and African Americans and how this participation is related to saving behavior, and consequently to their preparedness to cover future health expenses. We aim to understand how older Latinos and African Americans participate in the formal financial sector and what are the barriers to their participation. For this study, we conduct a qualitative analysis of data obtained from focus groups with 70 older Latinos and African Americans in the Los Angeles area. Our aim with this pilot study is to have a better understanding of the bigger population. While our analysis is limited by the small sample size, we hope to provide a deeper understanding on how these groups participate in the formal financial sector and how they save, which is not possible to do with a large dataset such as the HRS. The findings from this study are expected to help us in the design of a larger study on the participation of minority elders in the formal financial sector and its implications for saving behavior and wellbeing in the future.

Our hypotheses are the following. First, lower income participants will participate in the formal financial sector to a lower degree than middle income participants will. We also anticipate finding a difference between the African American and Latino populations, due to the differences in the degree of assimilation into American society. Second, individuals that participate to a higher degree in the formal financial sector would be more likely to save more. Third, saving behavior is likely to be connected with an individual's ability to cover health care expenses, and consequently to her health outcomes. While we are unable to make a direct connection with saving behavior and

health outcomes in this analysis, we have developed a better understanding of how these populations are preparing for their future health expenses and long term care.

We find interesting inter-group differences in our sample in terms of how individuals participate in the formal financial sector. African Americans participate more in the formal financial sector than Latinos and also show a high level of sophistication when managing their finances, where several of the African Americans in the sample use different financial instruments and keep track of their account balances very carefully. Most middle income Latinos and some low income Latinos have a checking account, but they only use it to receive their social security benefits, and cash most of it on a monthly basis. In relation to savings, we observe that African Americans are also more likely to save on a monthly basis than Latinos, but their level of saving seems low. Interestingly, we find that participants are really not well prepared for the future in terms of their health care financing, regardless of differences in income or race/ethnicity. Contrary to the general view that minorities will rely more on their children as they age, we find that participants in all groups expressed that they do not want to ask their children for money and also do not want to save and accumulate wealth to leave to their children because they do not trust or feel appreciated by them.

The paper is organized as follows. Section 2 presents a background from the literature review, and Section 3 discusses the methodology. Sections 4 and 5 present the results and a discussion. Section 6 concludes.

## **2. Background**

### *2.1 Access to the formal financial sector*

As the data from the HRS shows, elderly minorities are more likely to lack access to the formal financial sector, and research on this issue is scant. It is important to understand the barriers to access to finance that older Latinos and African Americans face and the costs associated from not using financial services. While participation in the formal financial sector can be measured in several ways, a basic definition is whether the individual has a checking account. Those who do not have a checking account will be unable to participate in the formal financial sector, and these individuals can be referred to as the unbanked or financially excluded (Anderloni et al., 2008).<sup>1</sup>

According to the literature review, there are factors from the demand and supply side that explain why ethnic and racial minorities are more likely to lack access to financial services (Anderloni et al., 2008; Atkinson, 2006; Carbo et al. 2005). On the supply side, financial institutions might not be interested in offering services that address the needs of specific populations such as those with low income, the elderly, and immigrants (Jehoel-Gijsbers and Vrooman, 2008). Therefore, financial institutions might not be interested in establishing bank branches in geographic areas where these populations live, making it difficult for these individuals to have access to financial services. Furthermore, financial institutions might not have the staff and resources available for communicating with non-English speakers. The financial instruments, in specific checking account services, offered by financial institutions might also not be adequate for these populations if these instruments are complex, have high fees, or require high balances.

On the demand side, socioeconomic status (SES) and assimilation into American society may explain the lack of participation in the formal financial sector. An individual's occupation, income, and education are strongly correlated with the degree of participation in the formal financial sector (Claessens, 2006). Low financial literacy, which is related to low levels of education, also explains

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<sup>1</sup> Anderloni et al. (2008) use the term financial exclusion to refer to those who face barriers to access to financial services. We prefer to move away from using the term of financial exclusion as it has a negative connotation.

why some individuals use financial services to a lower degree (Cole and Fernando, 2008). In relation to assimilation into American society and participation in the formal financial sector, research has focused on Latino immigrants. Legal status, language, and long term plans for residence affect the degree to which individuals use financial services, explaining why immigrants have lower usage of financial services (Barcellos et al., 2012, Datta, 2011). Cultural barriers, specifically those that relate to trust in banks, are also important for participation in the formal financial sector (Barcellos et al., 2012). Negative feelings about banks that could have resulted from bad experiences with these institutions can also affect the degree to which individuals use financial services.

Behavioral factors might also explain the lack of participation in the formal financial sector. According to Bertrand et al. (2004), it is important to consider not only those major factors related to rational models (cost of a bank account, financial education, etc...), but also small situational barriers (bus rides to a bank, challenging hours, interaction with bank personnel, etc...). Individuals will weigh the benefits and costs of opening and using a checking account. Individuals might be unaware of the benefits from using the services offered by formal financial institutions, and focus only on the costs. It might also be the case that in these calculations, the cost of opening an account today is higher than the future benefits perceived by the individual since the value of future benefits is lower due to the discount rate. Additionally, an individual might lack the motivation to participate in the formal financial sector if he or she is part of the cash economy and wants to avoid declaring income for taxes or lacks a legal status to do so.

Not only the supply and demand side factors, but also the behavioral factors that determine participation in the formal financial sector are relevant in order to understand why elderly minorities are likely to participate less in the formal financial sector. Furthermore, participation in the formal financial sector is related to saving behavior, which consequently has an impact on the wellbeing of

the individual. The connection between saving behavior and wellbeing derives from the fact that those individuals who are able and likely to save would be better prepared for future health expenses, and consequently, would be likely to have better health outcomes.

## *2.2 Saving for retirement and emergencies*

As the population continues to age to an expected ratio of three working individuals for every person 65 years and older in 2029, which is significantly lower than the ratio of 4.5 estimated for 2011 (Elmendorf and Sheiner, 2000), it is important to understand the emerging retiring group and its saving behavior in order to determine whether this group will be well prepared to face the expenses associated with aging. In order to explore the challenges and barriers of financial security during retirement, it is also relevant to look at the factors impacting that stability.

Financial security in the future can be highly dependent on the current situation of an individual. Lusardi and Michell (2007) developed the reasoning that non-planners have a lower probability of saving for the future. They found that individuals who slightly thought about saving were better off than their counterparts who did not think of saving at all. In addition, the accumulated retirement fund of an individual will be dependent on the income earned during their working years (Neelakantan and Chang, 2010). The combination of these factors can have a great impact on the accumulated wealth when preparing for retirement. If individuals are not earning enough money, they will be less likely to focus on the later years and only have a short-term plan for their income.

Automatic enrollment in saving plans has been believed to create a solution to the non-planner dilemma. Fisher and Anong (2012) found that automatic payments into a retirement fund, such as a 401(K), created a sense of a long-term saving plan in which individuals were more likely



to save. Prior studies (Poterba et al, 1996; Samwick and Skinner, 2004) have shown that 401(K)s are generally better than defined benefit plans but can be difficult to enter due to eligibility limitations and higher investment fees (Poterba et al, 1996). These limitations can help explain the limited use of 401(K) plans. Additionally, conflicting results in studies, such as showing that savings in 401(K)s do not off-set the decreases on savings in other financial assets (Gelber, 2011), can lead to decreased support for using 401(K)s.

Furthermore, financial literacy can have a large impact on the saving behavior of the elderly. Lusardi and Mitchell (2007) used HRS data to provide an analysis on the impact of financial literacy on savings behavior related to retirement. They find that older African Americans and Latinos show lower levels of savings for retirement, which can be explained by lower financial literacy. In another study, Lusardi and Mitchell (2011) show that older Americans, women, minorities, and the least educated have low levels of financial literacy. Because financial literacy is positively correlated with participation in the financial sector (Cole and Fernando, 2008), Lusardi's and Michell's (2007, 2011) work is of special relevance for the study of financial exclusion among the minority elder population in the United States.

The level of acculturation into the United States can also impact saving behavior. Fontes (2011) used the 2004 Survey of Income and Program Participation (SIPP) to discuss how immigrants tend to use financial services and save for the future less than the native-born population. Latin American immigrants differ from the native-born population in regards to the barriers encountered when accessing financial institutions. The language, institutional, and resource barriers encountered are largely attributed to the countries of origin for these immigrants. Even though Asian and European immigrants also find it difficult to acculturate to the United States financial system, Latin American immigrants encounter these difficulties at a much higher rate (Fontes 2011).

Saving for emergencies has shown to be a combination of the above trends. Chase et al. (2011) note that “rainy day” funds represent a sense of preparedness, planning, and motivation, but saving for emergencies is not as consistent as should be expected, leading to the use of alternative measures. The lack of motivation to save, combined with low levels of financial literacy, have lead to the use of short-term loans and familial relationships as buffers for emergency situations. Individuals are less likely to have a savings account for future emergencies and more likely to have money reserved in their checking accounts (Chase et al, 2011). This indicates a lack of preparedness for the future as well as a higher possibility of using alternative services from public programs.

Preparing for retirement and any emergencies is also accompanied by the need to save for medical expenses in the present and future. Smith (1999) explored the relationship between income and level of health of an individual. The least healthy an individual is in their early life, the more money is spent on medical expenses, affecting their accumulation of wealth. As the individual becomes older, their health will continue to diminish, causing for more costs and no prior saving to offset the costs of medications. Failing to plan for retirement, low-income levels, and increasing medical costs will greatly affect the ability of the elderly to cover for medical expenses in the future.

### *2.3 Medical expenses and uncovered care*

While the great majority of adults 65 years and older are covered by Medicare, these beneficiaries still face significant health expenditures as they age, including out-of-pocket costs for covered health care as well as the full cost of uncovered health care. Many middle-class beneficiaries have insurance to supplement traditional Medicare, such as employer-sponsored health insurance, “Medigap” coverage, or membership in a Medicare Advantage plan with expanded benefits (Hoffman, 2013). However, out-of-pocket expenses from deductibles, coinsurance, and

prescription drug copayments can be substantial even for beneficiaries with supplemental coverage, and are increasing along with other health care costs. Although there is wide variation, median monthly health expenditures for a typical retiree were estimated at between \$215 and \$330 in 2010, and are expected to climb to between \$381 and \$571 in 2030 and between \$518 and \$788 in 2040 (Hoffman, 2013). This pace of increase is projected to be more rapid than the increase in Social Security, the primary source of income for the majority of older adults.

Older adults also eligible for full Medicaid coverage (termed dual-eligibles) are sheltered from the majority of these costs, but such coverage is generally limited with some exceptions to the lowest-income Medicare beneficiaries (according to Families USA (2013), with individual income less than approximately \$8,600 and individual assets less than \$2,000 in 2013). “Near-poor” beneficiaries with some supplemental coverage designed for low-income persons are required to contribute more to cover their health care expenses, and are at particularly high risk of adverse consequences. These beneficiaries tend to have little existing savings, and are likely to delay care, take out credit card debt or loans, and/or have difficulty paying for food, rent, or utility bills (Cubanski and Dulio, 2011, Komisar et al. 2012).

Minority retirees tend to have fewer resources and are more likely to face financial risks as they grow older. Estimates suggest that 34 percent of African-American senior-headed households and 39 percent of Latino senior-headed households are considered to have “financial insecurity” strictly because of their health care expenses (Meschede et al., 2010). Among Latino and African American Medicare beneficiaries, the combination of lower median savings (\$9,800 and \$9,700 as compared to \$88,100 for whites), a high incidence of current and future health complications, and increasing health care costs suggest impending problems for many (Komisar et al., 2012). Near-poor and middle-class minority retirees in particular face considerable economic turmoil from health

and financial pressures that they may not fully understand, and would likely struggle to manage even if they are fully aware (Hoffman, 2013).

### **3. Methodology**

We conducted seven focus groups with older Latinos and African Americans in the Los Angeles area. Each focus group had between 8-12 participants, with a total of 70 participants. 60 percent of the participants were Latinos and 40 percent were African Americans in our sample (42 Latinos and 28 African Americans).<sup>2</sup> Individuals were recruited from three senior centers (Florence-Firestone, Willowbrook, and Culver City Senior Centers) and one church (Guardian Angel Church of Pacoima). We had two focus groups of African Americans in the Willowbrook Senior Center, two focus groups of Latinos in the Florence-Firestone Senior center, and one group of African Americans and another group of Latinos in the Culver City Senior Center. We also conducted one focus group with Latinos in Pacoima. The focus groups lasted approximately 90 minutes, and a short questionnaire was administered to gather demographic characteristics of the participants and information about the use of financial services, saving behavior, access to care, and wellbeing.

While we do not have specific information about income for all the participants, based on the information collected through the focus groups, we believe that it is possible to generalize and classify participants in three main groups: 1) African Americans, AA (most likely middle income, Culver City and Willowbrook participants), 2) Middle Income Latinos, MIL (Culver City participants), and 3) Low Income Latinos, LIL (Florence-Firestone and Pacoima participants).

According to the information provided by the directors of the senior centers from Willowbrook and Florence-Firestone Senior Centers, center members in Willowbrook have an

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<sup>2</sup> Two African Americans, who participated in the African American focus groups, identified themselves also as Hispanics. Since these two individuals seem to identify themselves stronger with the African American group in the recruitment process, we include them in the African American group for the sample description.

annual average income between \$14,400 and \$24,000, while members in the Florence-Firestone have an annual average income between \$7,000 and \$11,000. The director from the Culver City Senior Center informed us that they do not collect any type of information in relation to income among members. Culver City is a middle/upper class community in West Los Angeles. As for the participants from Pacoima, individuals were recruited among members of the Guardian Angel Catholic Church. This church is located in the middle of public low income housing, which allows us to infer that these participants can be considered in the low income group.

The focus groups with African American participants were conducted in English and those with Latino participants were conducted in Spanish. All instruments for this study were developed in English and Spanish, and the facilitator who conducted all the focus groups was bilingual. All focus groups were recorded and transcribed, and the transcriptions in Spanish were translated to English by two bilingual researchers.

The main topics for discussion in the focus groups centered around the research questions of this study: 1) What is the degree of participation of older Latinos and African Americans in the formal financial sector? 2) What is the saving behavior among older Latinos and African Americans and how is this related to their ability to cover health related expenses?

We applied the *Scissor-and-Sort Technique* and *Content Analysis* to analyze the focus groups data. We first developed a codebook that allowed us to categorize all the information in the transcriptions relevant for this study. Table 2 provides the categories and subcategories from the codebook.<sup>3</sup> Data was coded by finding all information that relates to the different categories. To check for consistency in the coding, two researchers coded a portion of the same transcription, and the two Principal Investigators (PI) reviewed the coded data. After going through the same

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<sup>3</sup> Codebook and other instruments of the study are available upon request. The Codebook includes a description of the topics for each subcategory, which are not included in Table 2 for purpose of space.

transcription, researchers and PIs met to discuss any inconsistency in the data coding and any modifications needed for the codebook. The coding of this transcription was very similar, where researchers coded in the same way around 90 percent of the time. The two researchers coded the rest of the transcriptions separately (one researcher coded half of the transcriptions, while the other coded the other half, approximately), and this coding was supervised by the PIs (one PI went through the coding of one of the researchers, while the other PI went through the coding of the other researcher).

After the data was coded, the researchers cut and paste together the relevant information into categories. Three documents that contained the coding for the following groups were created: 1) African Americans (AA), 2) Middle Income Latinos (MIL), and 3) Lower Income Latinos (LIL). The PIs went through these documents and performed a content analysis, which is discussed in the next section. Input from the researchers was also obtained for the content analysis section.

Nineteen percent were 60-64 years old, 21 percent were 65-69, 41 percent were 70-79, 11 percent were 80-89, and 3 were 90 and over. Two people left this question blank and one person disclosed at the end of the focus group that she was in her 50s (4 percent).<sup>4</sup> Fifty-seven percent of the participants were born outside of the United States, where 46 percent speak Spanish at home, 11 percent speak English and Spanish equally at home, and 43 percent speak English at home.

## **4. Results**

### *4.1 Survey Results*

There are some interesting differences across groups that are observed from the data collected through the survey conducted among the focus groups participants. Table 3 presents information from the survey for the full sample and for the three subgroups of interest discussed

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<sup>4</sup> This participant did not disclose her age, she just told us that she was in her 50s.

above (AA, MIL, and LIL) related to participation in the formal financial sector, saving behavior, access to care, and wellbeing.<sup>5</sup> In relation to the socioeconomic status of the full sample, 33 percent did not complete elementary school, 15 percent had completed elementary school and might have attained some middle school (but did not complete high school), 33 percent completed high school but did not graduate from college, and 18 percent completed college. Latinos had lower levels of education than African Americans. We also observed that for the full sample, 35 owned their home with a mortgage or loan, 15 owned their home free and clear of a mortgage, and 48 rented their home. The LIL group shows lower degree of home ownership than the other groups.

In relation to participation in the formal financial sector, among those who answered the question, 76 percent of the participants had a checking account, while 24 percent did not (3 percent did not know and 7 percent did not want to answer the question out of the total number of those who answered the survey). Fifty-three percent had a saving account, 47 percent did not (3 percent did not know and 18 percent did not want to answer the question). Furthermore, while only 25 percent of the participants are able to save on a monthly basis, 75 percent are not (0 percent did not know and 10 percent did not want to answer the question). Forty-three percent owned a credit card, while 57 percent did not (3 percent did not know and 7 percent did not want to answer the question).

Table 3 shows that LIL show a lower degree of participation in the financial sector, where less than half of the participants have a checking account (48 percent). For the MIL and LIL, ownership of a checking account is 100 and 89 percent, respectively. In comparison with the MIL and AA groups, ownership of a saving account is also lower among LIL than the MIL and AA groups. While only 27 percent of the LIL have a saving account, 56 and 83 percent of the MIL and

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<sup>5</sup> Percentages for the answers *Do not know/Do not want to answer* were calculated out of the total number of answers. Percentages for the other answers are calculated out of the total of those that have answered the question (number of people who answer *Do not know/Do not want to answer* are not considered when these percentages are calculated).

AA have a saving account, respectively. Furthermore, Latinos are less likely to save on a monthly basis. Among AA, we observe that 64 percent are able to save in a monthly basis, while MIL and LIL who save is between 11 and 3 percent, respectively.

Furthermore, among the full sample, we observe that more than two thirds of the participants receive social security benefits (69 percent), but only around one fourth of the participants have a pension account (24 percent). When comparing groups, there is not a stark difference in relation to access to social security benefits, but there is a significant difference among AA and LIL in relation to ownership of a pension for retirement. While 55 percent of AA have a pension, only 3 percent of LIL have a pension. Unfortunately, we do not have data on pension ownership among MIL since this question was added later to the survey.

When talking about access to care and wellbeing, most of the participants have health insurance (89 percent). Nonetheless, 70 and 60 percent have no coverage for expenses related to orthodontics and ophthalmology, respectively. Lack of coverage for these expenses seems to be higher for LIL than AA.<sup>6</sup> Twenty-two percent of the participants consider that their health is excellent or very good, 70 percent good or fair, and 8 percent poor (6 percent did want to answer). Fifty-nine percent of the participants are completely or very satisfied with their life, 30 percent are somewhat satisfied, and 12 percent are not very or not at all satisfied (1 percent did not know and 9 percent did not want to answer).

As the survey shows, there are intergroup differences in relation to participation in the formal financial sector and saving behavior. These differences are also evident from the data collected through the focus groups, and the next subsections present the results obtained from the qualitative analysis.

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<sup>6</sup> These questions were added to the survey later in the study and that is why we do not have observations for all groups. In fact, the question was added to the survey as a result of the first focus group with MIL, where the discussion of this uncovered care came up.



#### *4.2 Focus group discussion results - Participation in the formal financial sector*

Our data collected through the focus group discussions shows that there are significant inter-group differences in terms of participation in the formal financial sector among minority elders. African Americans (AA) show higher levels of sophistication when dealing with their finances and using financial services. The term of sophistication refers here to the degree to which participants understand how banks and financial instruments work, how they make use of financial services, and how they carry their personal finances. Higher levels of sophistication refer to those individuals who have a better understanding of financial services, make use of different financial instruments, and carefully keep track of their personal finances. We found that Middle Income Latinos (MIL) participate in the formal financial sector to a lower degree than AA, but to a higher degree than Lower Income Latinos (LIL). We discuss further the degree to which these groups behave differently, and some of the factors explaining the differences across groups.

Participants overall reported that there is a large number of formal financial institutions in their neighborhood, and that they generally have no trouble getting to them in most cases. In very few instances, it was mentioned that they needed to take the bus or ask a family member for a ride in order to get to their bank. In all groups, we observed that participants were able to mention around 3 to 6 banks or credit unions in their neighborhood. Compared with the African Americans, Latinos (middle and low income) showed a higher degree of awareness of alternative financial services, such as local check cashing places, pawnshops, and short-term loans places. When we ask the question of alternative financial services, Latinos were able to provide more information on the availability of these services and how they work than African Americans. Most Latinos mentioned using these alternative services at least once, while only few African Americans mentioned using them in few

instances. We also found that there is always staff that speaks Spanish in most financial institutions, and that most participants feel comfortable interacting with the staff that works in those places.

AA show the higher level of participation in the formal financial sector among all groups since all participants from this group had a checking account, as shown in the survey results, and most of them mentioned in the discussion that they have had an account in the bank for long time because they opened it when they started working early in their life. While specific questions about financial literacy were not part of the discussion in the focus groups, AA seem more financially literate in comparison to the other groups. Some of the participants in this group mentioned that they used several financial instruments, and many of them expressed that they keep track of their account balances religiously. From the conversations, we observe that this group had a better understanding of how banks work.

African Americans seem comfortable participating in the formal financial sector, and while they show some degree of trust in financial institutions, they are skeptical and “keep an eye on them.” While participants in this group have different attitudes toward banks, they are aware of the fees that the banks charge them, and if they had a problem with their bank, they moved to another bank. Some people in this group use online banking to check their balances, which was not the case with the other groups. In relation to alternative financial services, such as check cashing places and pawnshops, AA strongly dislike them and have used them on very few occasions. They perceive that the high fees these places charge are a “rip-off.”

In general, AA seem to be very engaged and active in their personal money management with the banks, which makes them different from the other groups. As we saw in the results from the survey, most AA had a checking account (100 percent), and also the conversations carried during the

focus groups corroborated this.<sup>7</sup> The following quotes from AA show the level of sophistication in terms of participation in the formal financial sector and how they dislike alternative financial services:

- Learning to use financial services - “when I was growing up, they used to teach us in elementary school to say we go to the bank. They showed us how to have a bank account.”
- Long experience using banks – “I like my bank. I never had no problems. I have been with them 35 years. I never had no problem with them.”
- Keeping track of account balances - “One dime. Her bank account was off—She's very good with money. She balances her book to the bank. She was ten cents off on her account. And she wanted her dime. And the lady [Teller] at the bank said, "You came in here for a dime?" [a participant talking about another participant]
- Using several financial instruments - “I have one [account] for the mortgage. I have one for my personal use. And I have one for savings. Each one handled different situations. Like you have to have a certain balance. Like for my checking, I go through one. And then through my credit union I don't have to have a balance. I can just do however I wanted to do. That's the way I do it. For certain things I have certain accounts.”
- Negative perceptions on alternative financial services – “That's a rip-off. It's a rip-off. I tried to stress to my kids never to use those places.....They pay twice as much. I mean it's just ridiculous to use these places.”

Latinos show a much different relationship with banks than African Americans. Most of MIL and some of LIL have bank accounts, but their degree of interaction with the formal financial sector is much different than what was observed with AA. While MIL are not as sophisticated as AA, they have checking accounts, write checks, and use their debit card regularly. One difference between AA and MIL is that ownership of a savings account is higher among AA, as it was found in the survey. Thus, while AA and MIL would look relatively the same in terms of participation in the financial sector if we focused only on whether they have a checking account, MIL use financial services to a lower degree. This is a relevant finding that we would not have discovered by looking only at survey data.

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<sup>7</sup> The 100 percent is calculated among those who answered the question. Among AA, 14 percent did not want to answer the question.

Additionally, when comparing MIL with LIL, LIL show lower levels of participation and usage of financial services. LIL use their checking accounts for the sole purpose of receiving social security benefits. Most participants have a direct deposit for social security benefits, but many LIL cash their social security checks as soon as they arrive or withdraw the total amount received monthly, and they do not write checks or use a debit card. Many LIL mentioned that they opened a checking account when they started receiving social security benefits, and that they never had a bank account before. Thus, a big difference between MIL and LIL would be that MIL seem to use banks more regularly for everyday transactions, while LIL either do not use banks at all, or use them minimally.

Latinos also seem to be more concerned about the fees that the banks charge and the minimum balance requirements. To some degree, it seems like LIL face higher fees when accessing the formal financial sector (see discussion below in terms of fees), or at least have a perception that fees are high from having a checking account. It could be the case that this group keeps lower balances, which leads banks to charge them higher fees. It could also be the case that this group is unaware of the different financial services available that might allow them to reduce the fees they will pay for these services. Some LIL report that they banked in Latin America but do not bank in the United States because of the fees and confusing fine print associated with bank accounts in the United States.<sup>8</sup> Some LIL also mentioned that they closed their accounts if they had a problem with the bank, instead of switching to another bank. Thus, it could be inferred that this difference in relation to the perception of bank fees between MIL and LIL is likely to be related to class.

Among the LIL it was interesting to see that there is a subset of individuals who do not have a bank account and do not see the need for one. Those who do not have a bank account are likely to be those who do not get social security benefits. Being part of the cash economy, where one is paid

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<sup>8</sup> From the focus group discussion it is unclear whether the individuals faced different fees in Latin American banks.

only in cash and all economic transactions area also done with cash, is also another reasons why some LIL do not want to open a checking account. LIL were also willing to use alternative financial services to a higher degree than the other groups. LIL mentioned that sometimes they have transportation issues since they do not own a car, and this motivates them to use the alternative financial services that are available in their locality. Some LIL use the check cashing places and Western Union. They also mention that they like to use cash or money orders to pay their bills. They feel that using cash is more convenient, and some expressed that they feel more secure using money orders to pay their bills. There seems to be a greater acceptance of the fees that go along with alternative financial services among LIL, where one participant notes that these fees “are a part of life.”

In relation to fees associated with financial transactions, LIL expressed that banks charged them between \$10 and \$30 for a checking account and that the minimum balance they must have should be around \$300. Some participants also mentioned that if they kept a minimum balance above \$200-\$300, they were not charged in a monthly basis. In relation to alternative financial services, LIL mentioned that some check cashing places charged a percentage (around 2 percent) and others expressed it was a flat fee of \$7 per check cashed. LIL mentioned that money orders cost \$1.5, and sending money was associated with a flat fee of \$10. Interestingly, while some LIL perceive that the fees the bank charged are high, they feel comfortable with the fees associated with alternative financial services. Some participants found more convenient to use the alternative financial services than to use banks, regardless of the fees associated with these services. Nonetheless, there were also some LIL who think that the fees associated with alternative financial services are too high, and that is why they prefer to use banks.

Trust in banks seems to be lower among Latinos, in comparison with African Americans. In the MIL group, some mentioned that they do not feel their money is safe in banks, but that banks are a better alternative than the “mattress.” There seem to be more instances among LIL where the bank took money from them in the form of fraud. Several LIL provide stories about how the bank kept the money they had in their account or how they suffered identity theft and lost the money they had in the bank. Thus, LIL seem to dislike banks to a higher degree than the other groups.

The LIL group seems to be the one that has the least access to financial services. Some quotes that characterize the relationship between LIL and formal financial institutions are the following:

Opening an account to receive social security benefits – “I barely opened an account because of the letter that beginning March they would not send the [social security] check home, that I had to open a bank account”

Problem with fees and minimum balance – “So I had to close my account and they charged me a certain percent for closing the account. The reason for closing it was that I had to have a certain balance to keep it open.”

Lack of understanding of financial services - “Over there [country of origin], the cost to maintain an account is easy and there is not much stuff like here – why do the bank have to have so many clauses in small writing? Now it is more difficult, because there are laws that they have to place, and it is hard to read them...”

Cash economy example – “When I was younger I worked taking care of children. What I earned was for spending it on my daughters, but I never opened an account. Everything that they paid me was in cash; they never paid me by check or anything.”

Usage of alternative financial services – “I think that many of us have problems with transportation, we don’t have transportation. So then, one prefers to pay extra for the money order and avoid the bus like the lady said. Catch a bus, but we need two buses so it will cost more than the money order.” “Because I do not how to write and I do not know how to make a check. And the money order I just purchase it and send the payment I need to”

Through the focus groups, we found several factors that explain the lower degree of participation in the formal financial sector among older Latinos. For the MIL and LIL groups, the main factors influencing their lower level of participation is our perception of their lack of

understanding of financial services (i.e lower levels of financial literacy), preference for using cash, and distrust in banks. Lower levels of financial literacy are likely to be correlated with educational levels. In our sample, from the survey, we observed that Latinos have lower levels of educational attainment than African Americans. Among the LIL, there were a several individuals who did not know how to read and write, which also explains their inability to understand financial services. Furthermore, 93 percent of the Latinos in the group were born outside of the United States, and while most of them have been in the United States for a long time (before the 1990s), the culture of banking does not seem to be ingrained among this group as it is among the African American group.

Those Latinos who have a checking account, especially in the lower income group, prefer to withdraw cash on a monthly basis and use it for their everyday transactions instead of using checks or a debit card. Some of the participants mentioned that they feel more comfortable using cash. In fact, some LIL mentioned their lack to write and read as something that makes them reluctant to use checks. The distrust in banks also makes this group less prone to use financial services on a regular basis. In some cases, some Latino participants expressed that they like to keep money in cash in their homes. This group also seems to rely more on their family networks, as there were a couple of instances where participants prefer to borrow money from family members. The quotes below are related to the preference among Latinos to hold cash or rely on family networks instead of relying on the bank:

MIL – “My brother-in-law (laughter) he always has 30-40,000 dollars in his house....So when we need money we do not go to the bank. My brother-in-law lends us without interest.”

MIL – “I do not like asking them [daughters] for money. They give me [money] every month. When I need them to give me money, I leave my wallet where they can see it and they see I do not have money.”

MIL – [Savings at home] “Under the mattress”, “In the house but only a few “kilos” [of money]”

LIL – “Well my daughter, my daughter gives me a little bit and I can’t save anything because each payday she gives me \$40 or \$20 or \$50, whatever she has and I can’t save anything. It’s all for my medicine, or for something that I need.”

LIL - I took out some money from Mexico and I had it at home...it was like \$20,000 pesos and when I checked it was \$3,000 pesos. Well, what happened, if I didn’t take it? It disappeared. I didn’t say anything to my daughter and she said, “Why mom, why didn’t you keep your money someplace else?” Even if I put it somewhere else, they could still take it from me. That’s why I don’t save anything. I prefer—the little that I get from my daughter, I spend it.”

Other reasons to not participate in the financial sector also expressed among those who do not have a checking account, and that are related to behavioral factors, are perceptions of lack of money and motivation to open an account. Many LIL expressed that they do not have the money to keep a balance in the bank, and therefore, they perceive they would be charged high fees for keeping the account open. These individuals also perceive that in order to have an account they would need to keep a lot of money in the bank. Interestingly, while this group dislikes bank fees, they seem to be more accepting of the fees that alternative financial services charge and use these services instead of using the services offered by the formal financial sector. Some participants also mentioned that they did not have enough motivation to go to open an account or that they have not opened due to procrastination.

Furthermore, in order to understand how participation in the formal financial sector can be beneficial for minority elders, we asked about the benefits of using financial services, and found that older minorities benefit from financial services in several ways. Having a checking account makes it very convenient to do everyday transactions. Many participants expressed how they like to receive social security benefits through direct deposit. They find that direct deposit of social security benefits is safer and more convenient than receiving the check in the mail. It was mentioned that, in the past, social security checks have been lost in the mail and stolen. Having a checking account also



provides them with more security since they do not need to have the cash in hand and can spend the money later by issuing checks or using their debit card. Some participants also mentioned that they like owning a checking account since it allows them to send money to family members who live in other states in a convenient and fast way. Other participants mentioned that by having a checking account, they spend less because they have less money in hand.

#### *4.3 Focus group discussion results - Saving behavior and health*

We found that almost no participants, regardless of race or income, are saving in order to offset future health expenses. This is despite the fact that many of them have chronic conditions, are at risk of significant illness, and are likely to accrue significant uncovered health-related costs in terms of long-term care and other expenses. Overall, we observed that these participants are really not well prepared for the future in terms of their health care financing.

While saving behavior does vary by group, and will be discussed later, no one seems to be saving for future health expenses. The majority of the participants have Medicare and/or Medi-Cal and are very aware that their current health costs are mainly covered. In the case of serious illness, which could lead to uncovered expenses, most of them answered that they would go to a county hospital to get whatever services they need. While some participants mentioned that they would establish a payment plan to pay for these expenses, others responded that they would not pay because they do not have the money and would “be a burden on the system.” Some of the Latino participants are also aware of a program in LA County (ORSA) that covers patients who do not have legal status, at least for outpatient care.

From the discussion, it is evident that these people are not worried about their future health expenses. One of the reasons is that most participants had access to care either through Medicare or

Medi-Cal, and their copayments for doctor visits, medicines and preventive care are very small. Another reason is that these individuals might be unaware of what health expenses are not covered by Medicare or Medi-Cal, and therefore, do not feel the need to save for future health expenses. In our conversation, we only discussed uncovered care related to orthodontics and ophthalmology, but there are other conditions that might not be covered that we did not discuss with the participants. It is also not clear, from our focus group discussions, whether one of the reasons why these people are not worried about future expenses can be attributed to thinking they will not get sick or acquire those conditions that are not covered by Medicare or Medi-Cal. From the survey, we may infer that most participants feel that they are relatively healthy since only 8 percent mentioned that their health is poor.

While most participants do not seem aware and are not prepared for the financial needs they will face as they age in terms of health expenses, some participants noted that they are currently paying or saving for their funeral, so that family members do not have to cover these expenses. Saving or paying for funeral expenses was something that came up especially among the LIL. Thus, while these individuals are able to foresee the expenses related to death, they do not seem to foresee the expenses that will come with chronic illness, uncovered care, and long term care.

Another interesting finding that applies to all groups is related to the nature of the relationship between the older Latinos and African Americans with their children. The general consensus is that minorities may depend on their children more than whites to provide informal care as they age. Our findings differ from this view, where most of the participants in this study do not seem to trust their children very much with money, or in general. Those who do trust their children often seem reluctant to ask for money. It seems that if participants really need financial assistance from their children in the future for health expenses, it may create friction. There is a variation in

relationships with children in all groups, with perhaps better parent-child relationships in the MIL group overall compared to the others. Nonetheless, all groups expressed that they do not want to save and accumulate wealth to leave to their children because they do not trust or feel appreciated by them. This is also an interesting finding related to the intergenerational wealth transmission among older minorities.

There are a couple of things to note about the participants' relationship with their children. In few cases, especially among the MIL, some participants expressed that they were dependent on their children and that their children helped them. Among the AA, there were few cases in which participants mentioned that they had a good relationship with their children and that they either sent or received money from them. The dynamics of the conversations during the focus group might have led to a general consensus among the participants of not feeling comfortable asking their children for money or not wanting to accumulate wealth to leave to their children. It is possible that some participants dominated the conversation and led the discussion into this specific direction. Nonetheless, there was another part of the conversation that might corroborate the existence of frictions if the participants ask their children for financial assistance. When we provided individuals with several scenarios in which they needed to incur health expenses that were not covered by Medicare or Medi-Cal, very few participants mentioned that their children would help them pay for these expenses. Thus, this led us to conclude indirectly that most of the participants do not feel comfortable asking their children for money.

The following quotes relate to the common trends among groups previously discussed:

#### Paying for uncovered care

AA – “It depends on what area you live in. Because there are county hospital[s] and you become a burden to the state.... me, I would be a burden.” “I would have to ask for payment, set up a payment plan or something. Because I couldn't afford \$400 right there and then” “I'm a senior and I have to rely upon me. So you do whatever is necessary. You go to county hospital and let them bill you. I mean, that's just the bottom line.”

MIL – “Well they give you a deduction. Two years ago I did not have social security. I had to go because I had a really bad pain in my back and they had to take me to the general hospital. They had me for 10 days. They never sent me a receipt, a year later they send it. It was 36,000 dollars. Because they had me for 10 days. With so many studies, but I went and they reduced it to 1,000 dollars. Still a lot of money for me. But I paid them in hundreds. In payments”

LIL – “If I did not have an insurance or the money, I would go to a big hospital, Luther King, General, and then after they took me in and billed me I would go to Orchard [ORSA] and ask for their help. Since I do not have the economic resources, that is what I would do” “I would say that I do not have a way to pay and I would tell them, look I cannot pay but I can pay little by little. That is my concept, if I did not have a plan.” “[Moderator] But none of you have a friend or relative or you children that could pay the 400 dollars for the emergency? There is no one that will lend. There is no one that will help you. If they see you on the floor—I mean they see me and all they do is kick me to the side so they can keep going”

#### Paying for funeral

AA – “But I saved a few little pennies. But I did... got all of my bill things... had it up and paid for that because I don't want my president of the circle to have to bury me. So I've got everything all fixed with my grandchildren and a few more nickels for my kid. My niece is planning to have a great big party, and I want everybody to come that I know.”

LIL – “From the little I receive I'm also paying off my funeral. You have to be mindful of things, right? I'm paying my funeral. Thank God, I've already paid off my—how do you say it? The cemetery and now I'm paying my funeral and I give \$114.64 each month. I'm going on five years now.”

LIL – “I'm going on five years that I've been paying off my funeral, so that the day that God calls me, my kids won't have problems, so they won't have to have a carwash or be asking for money from the family. Am I right? The little old lady is gone and she paid, right? It's so nice.”

LL – “Thirty five thousand dollars for a funeral is a big difference between \$2900 for a burial. So I prefer to pay the \$2900, which I have already paid, so that they make me into chicharron. And then it's over. And they hold a wake at a church.”

#### Relationship with children

AA – “You leave them houses and whatever... And then they don't appreciate it... And one year after you're gone, boom.... It's all gone.... They can't wait till you die if they know you got some [money].” “No. I'm spending that inheritance now. And anything left after I'm gone, then this is what they'll have. But I'm not going to save my money for somebody if something happened to me that they're not going to even appreciate what I did.”

MIL – “So I do not need to go ask them for this or that. On my part, I am responsible of taking care of two properties. If I keep asking them they tell me: “what do you do with all

your money? Why can't you do it?" I have my "safety net" and I go and withdraw when I need to."

LIL – "I was always a mother who liked to save money for her children. Now, I have 20 grandchildren, I got disappointed so badly that I said, "No more." I have to live for today. Of course I watch my pennies, but no more saving for no one because no one appreciates the sacrifices that are or were made. So instead I enjoy it. That's the latest idea in my mind to enjoy the day that God has given me."

In relation to the differences regarding saving behavior, ownership of a saving account is higher among African Americans than among Latinos. Interestingly, some AA and MIL expressed that they are able to save on a regular basis, and while the AA group will save in a savings account, the MIL group will save in their checking account or in cash. On the other hand, most LIL expressed that they do not have a saving account and that they are unable to save on a regular basis due to their low income. Most of LIL say that they have never been able to save.

African Americans seemed to be able to save more on a monthly basis than all the other groups, and the need to save for a "rainy day" was brought up many times in the discussion, which was not the case in the discussion with the other groups. Furthermore, in the African American group, there were several cases where people saved through different financial instruments (CDs and mutual funds), and many participants expressed that they started saving very young. Some participants in this group also mentioned that they like to transfer money from their checking to savings account on a monthly basis so that they do not even see what goes into savings. Very few of the participants in the African American group have a 401(k) or 401(b) account. Thus, while African Americans are able to save some on a regular basis, the level of savings that they accumulate seems low. In addition, most Latinos did not have a retirement account. The following quotes show some inter-group differences in terms of saving behavior:

Saving behavior

AA – “And, like the lovely lady said, you know, you live from day to day. But once... you know, you always hear your poor parents say, "Put a little money away for a rainy day," you know. And I used to hear them say that, but I didn't have money for a rainy day. But as the time went on, I realized that what they were saying is always put money back in case of an emergency or in case you needed it or in case you just weren't working and you need it, so you had something to lean on. So that's why I started saving early on when I first started working.”

MIL – “I do my spending and what is left over, the next month I do not withdraw what I was going to withdraw. I only take out what I need. And then I have the savings from what was left over.”

LIL – “I do not save. There is no saving. We are broke. So save, no, because my employment did not allow it and I did not earn much. What I worked—I would not have enough to sustain my family”

The issue of trust on financial institutions pertains not only to participation in formal financial sector, but also to saving behavior. If individuals do not trust banks, then they are less likely to have checking accounts, and also to save in a saving account. Below we show some of the answer we received when we asked the question: In general, do you trust banks? Do you feel secure depositing money in the bank?

AA – “I do not trust banks because when they had the earthquake, they wouldn't give me any money. And I had \$14,000 in there.”

AA – “I have one, but I don't trust it.”

AA – “You have to trust them because that's the way you do business. It's necessary, you know...But you have to be very aware of your banking business. You have to be very aware of and you have to watch your statements.”

MIL – “I do not trust banks. I got into a fight with Bank X because it is the biggest thief of them all. They took out 5,000 dollars out of my account and never put any back”

MIL – “No. I do not trust any bank but I have to have something to be able to write checks.”

LIL – “I don't have a bank account. Because my husband left me around \$3,000 and they stole it. They say he withdrew the money, but I don't know who withdrew it. I fought that, but the bank got mad and they asked security to throw me out. If I go to the bank they don't talk to me, they don't say hello or anything. I only go give my payment and leave. They don't speak to me.”

LIL – “One time, they robbed me of \$600. I had a lot of money and suddenly my balance was \$600 low and it didn’t reappear.”

LIL – “I would say 50/50 [trust banks]. Because they ripped me off once. I didn’t know that— if you open an account for \$350 which is the minimum and then you withdraw more than that— I withdrew \$25 more than what I had and when I checked they had already stolen \$100. And why? Right now they are charging if you don’t have the right balance.

LIL – “[The bank] They moved from Pacific and Las Flores. They stole 2,000 dollars from my husband. They said he could save 5, 10 and all of a sudden he was broke and the bank did not give him his money. They changed the name of the bank and it is someone else. That bank robbed many people of their money and not just 2,000 dollars, up to 10,000 dollars”

LIL – “I ask the tellers to give me all the money. They ask my why I take all the money. I tell them that it is safer in my mattress than with them. Because when the bank is broke they take all the money people have deposited and they report it as a loss. You can talk to the president but it is safer in my mattress than with you.”

As mentioned before, different groups have different levels of trust, which might explain the degree to which different groups use financial services. Most participants expressed distrust in banks to some degree, where MIL and LIL showed higher levels of distrust than AA. LIL also distinguish themselves from the other groups since they seem to dislike banks to a higher degree. Among LIL, there were many stories and instances where they feel the bank stole from them. While some LIL mentioned instances of banks going out of business and taking their money, which are noted above, most of the distrust comes from bad experiences with banks, where banks have robbed them. The degree to which LIL distrust and dislike banks to a higher degree than AA and MIL can be one of the factors that explains why this group uses banks less. Interestingly, it seems that while all groups distrust banks to some degree, for most AA and MIL, the alternative of not using banks is unthinkable to them. While some LIL consider the option of keeping the money under the mattress as a better alternative than using banks, this is not the case for AA and MIL. Nonetheless, it is also important to note that when we ask the question related to being fearful of being robbed if they kept

cash, most participants agreed that money was safer in the bank and that they were fearful of someone coming and stealing their money from their homes.

## **5. Discussion**

Our study contributes to the literature in several important ways. First, we find that the level of participation among the focus group participants, who are minority elders, is much higher than what we see for the entire population. As discussed in the introduction, data from the ALP shows that around 30-40 percent of adult Latinos and African Americans do not have access to financial services. In our sample we find a lower percentage, where only 22 percent of the participants do not have a checking account. The reason why we find higher levels of participation in the formal financial sector is that most individuals receive social security benefits through direct deposit. Nonetheless, we find variation across groups among those individuals with a checking account in terms of the usage of financial services, where many LIL use the checking account only to receive social security benefits and cash all the money received once a month.

Second, our focus group discussions allow us to better understand what are the barriers to participation in the financial sector and how they relate to the supply, demand and behavioral factors discussed in the literature review. Among the Latinos, it was interesting to find out that behavioral factors are important determinants of their lack of participation in the financial sector. While it was thought initially that supply side factors might be relevant explaining the lack of participation among Latinos, we found that availability of banks and bilingual staff was not an issue.

We find that the demand and behavioral factors are more relevant explaining the lack of participation in the formal financial sector among Latino participants. Among those who do not have a checking account, their perception about the required minimum balance and bank fees is what



keeps them from opening an account. The issue of assimilation into American society is also relevant for the difference we observe among Latinos and African Americans. In relation to the assimilation into American society, we observed that several LIL did not see the need to open a checking account because they have been part of the cash economy. The issue of trust is something that also seems to explain differences in the degree of participation in the formal financial sector among the different groups. While most groups express some distrust in financial institutions, the LIL seemed more averse to banks, and provided many examples in which they had bad experiences with banks. These bad experiences with banks seem to be associated with their higher levels of distrust. LIL feel more comfortable using cash and alternative financial services for their everyday transactions, which was not the case for the other groups.

There seems to be a connection between financial sophistication and saving behavior, where more sophisticated participants are more likely to save, but we found that most participants are not well prepared to face unexpected expenses associated with uncovered care. When looking at the issue of saving among these groups, one could argue that there are valid reasons that justify why they are not saving. Because most participants are in the middle and low income range, and are dependent on social security benefits, it is not possible for them to save. Some participants expressed that the income they receive from social security benefits, which is their main and unique source of income, is barely enough to cover their monthly expenses. Others also mention that they never had enough income that would allow them to save on a regular basis. Thus, their inability to save is tied to their low levels of income. Another argument why it is rational for these individuals not to save is related to the life-cycle hypothesis.<sup>9</sup> Most of the participants are now retired or are unable to be economically active. Under the life-cycle hypothesis, it is expected that these individuals have saved while they were young so that they have accumulated wealth that could be used when they retire or

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<sup>9</sup> See Mondigliani (1996) for a discussion on the Life-Cycle Hypothesis.

become economically inactive. Nonetheless, as the data from the survey shows, very few individuals in the sample have retirement accounts.

While the reasons provided above can be used as arguments justifying why it is rational for minority elders not to save, relying on a fixed income and not having any funds to cover unexpected health expenses brings financial insecurity among this group. According to a guide from National Council on Aging (2011), there are ways in which older adults can save. This guide suggests that the elderly can save to by cutting down on spending, in terms of unnecessary expenses, and taking advantage of existing subsidy programs to offset their costs. This guide provides a 90 minute program to educate seniors on how to budget better. Participation in the formal financial sector is likely to allow seniors to better prepare for their future expenses. Actions such as having a savings account that draws interest, managing personal finances to avoid fees, and avoiding alternative financial services that charge high fees, can help minority elders to save. Thus, promoting the participation and usage of financial services among minority elders through educational programs might be beneficial. Interestingly, some participants expressed their interest on participating in a educational program on personal finances.

Another interesting finding from this study that requires further discussion is the relationship between participants and their children. As discussed before, most participants expressed that they do not want to rely on their children to cover unexpected expenses. This is an important finding as it shows us that minority elders, as they age and are affected by serious illness, are vulnerable and might become a burden to the health system. The Latinos seem more vulnerable to the problem of paying for uncovered health care than African Americans since they show lower levels of savings and wealth accumulation. Our finding here goes against the traditional view that Latinos and African

Americans are more likely to rely more on their children as they age (Cantor et al. 1994).<sup>10</sup> To our knowledge, there is no current research showing that there is a change in the trend on social support among older Latinos and African Americans. Thus, it is warranted to further study among older Latinos and African Americans what type of social support they have, which should have a significant effect on their ability to cover health expenses in the future.

It is important to note some of the limitations to this study. First, this study uses a small convenient sample, which does not allow us to generalize for the entire population. Participants in the sample are recruited in the Los Angeles Area. Thus, the findings here relate to the behavior of individuals in an urban set up, and it is likely that participation in the formal financial sector and saving behaviors of older Latinos and African Americans in a less urban set up and in smaller cities show different patterns. Second, our analysis is entirely qualitative since we use data obtained from the focus groups. While data collected through the focus groups help us to understand better the behavior and motivation of individuals, again, we are unable again to generalize for the entire population. While our pilot study provides us some insights on how individuals behave, which might be difficult to obtain from larger surveys, we cannot claim that our findings have statistical significance. Third, another limitation of our study is that we did not include the white elderly in our sample. Thus, it is difficult for our to make a distinction between class and ethnicity. It is expected that middle income whites might behave similarly to middle income AA. For further research, it would be warranted to collect information among elderly whites in order to determine whether there is a significant difference in terms of participation in the financial sector and saving behavior associated with race and ethnicity.

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<sup>10</sup> Refer to Mendes de Leon and Glass (2004) for a good literature review on social support among minority elders.

## **6. Conclusion**

The access to finance has become an important area of research, but there is little attention to the degree to which older minorities participate in the formal financial sector and the implications of this participation in their saving behavior and ability to cover future health expenses. There is a connection between participation in the formal financial sector and health outcomes since those individuals who are more likely to participate in the formal financial sector are also more likely to show higher levels savings, and higher levels of savings can help to deal with unexpected health expenses.

An important finding relevant for policymaking from this study is that minority elders are likely to be unprepared to face unexpected health expenses that are not covered by their health plans. From the data collected, we found that minority elders are not able to rely on family members to cover unexpected health expenses, which is new to the literature. This provides a challenge for the health care system as this group ages. Thus, understanding the magnitude of this problem is recommended for future research. We also recommend further research in order to understand the behavioral factors that make minority elders less likely to participate in the formal financial sector and save, especially among older Latinos since this is the group that showed lower levels of participation.

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**Table 1. Percentages, Global Financial Inclusion Database (World Bank, 2013)**

	All Adults	Income Bottom 40%	Primary education or less
No account at a formal financial institution	12	18	53
Saved at a financial institution in the past year	50	32	6
Saved for emergencies in the past year	55	40	28
Saved for future expenses in the past year	43	32	13

Table 2. Codebook categories and subcategories

<b>Category A: Access to financial services</b>
A1. Availability of formal financial services*
A2. Availability of alternative financial services*
A3. Usage of financial services
A4. Usage of alternative services
A5. Barriers to usage of financial services
<b>Category S: Saving behavior</b>
S1. Ownership of an account for possible saving
S2. Saving on a regular basis before
S3. Saving on a regular basis now
S4. Saving for retirement
<b>Category H: Access to health services</b>
H1. Access to care
H2. Uncovered care
<b>Category W: Overall wellbeing</b>
W1. Benefits of using formal financial services
W2. Financial security/uncertainty
W3. Fear



**Table 3. Survey results (Percentages\*)**

	Afri. Ame.	Latinos Mid. Inc	Latinos Low Inc	Full Sample
Education				
Elementary not completed	4	63	53	33
Elementary completed	0	0	20	9
Middle school completed	0	0	13	6
High school completed	64	38	3	33
College completed	32	0	10	18
Living status				
Owned, with mortgage	44	63	22	35
Owned, without mortgage	24	13	9	15
Rent for cash	32	25	66	48
Occupied without payment of rent	0	0	3	2
Checking account				
Have one	100	89	52	76
Do not have one	0	11	48	24
Do not know	0	0	6	3
Do not want to answer	14	10	0	7
Savings account				
Have one	83	56	27	53
Do not have one	17	44	73	47
Do not know	0	0	7	3
Do not want to answer	28	10	11	18
Saving behavior				
Able to save in a monthly basis	64	11	3	25
Not able to save in a monthly basis	36	89	97	75
Do not know	0	0	0	0
Do not want to answer	21	10	0	10
Credit card				
Have one	58	89	17	43
Do not have one	42	11	83	57
Do not know	0	0	6	3
Do not want to answer	14	10	0	7
Social Security				
Receive social security benefits (self, partner, both)	78	63	65	69
Do not receive social security benefits	22	38	35	31
Do not know	0	0	0	0
Do not want to answer	15	20	0	9

**Table 3. (Continued)**

	Afri. Ame.	Latinos Mid. Inc	Latinos Low Inc	Full Sample
Pension for retirement**				
Have a pension (self)	55		3	24
Do not have a pension	45		97	76
Do not know	0		3	2
Do not want to answer	20		3	11
Health insurance				
Have health insurance	96	100	80	89
Do not have have health insurance	4	0	20	11
Do not know	0	0	6	3
Do not want to answer	8	10	0	4
Orthodontics**				
Have coverage	45		20	30
Do not have coverage	55		80	70
Do not know	0		0	0
Do not want to answer	13		0	6
Ophthalmology**				
Have coverage	57		29	40
Do not have coverage	43		71	60
Do not know	0		0	0
Do not want to answer	13		0	5
Health self-assessment				
Excellent	8	29	6	9
Very good	20	14	6	13
Good	32	14	13	20
Fair	28	43	69	50
Poor	12	0	6	8
Do not know	0	0	0	0
Do not want to answer	4	30	0	6
Life satisfaction				
Completely satisfied	33	50	16	26
Very satisfied	29	50	32	33
Somewhat satisfied	33	0	32	30
Not very satisfied	0	0	13	7
Not at all satisfied	4	0	6	5
Do not know	0	0	3	1
Do not want to answer	8	40	0	9

\*Percentages for the answers *Do not know/Do not want to answer* were calculated out of the total number of answers. Percentages for the other answers are calculated out of the total of those that have answered the question (number of people who answer *Do not know/Do not want to answer* are not considered when these percentages are calculated).

\*\*Question was added to survey later in the study, not available for some groups.